



FmHA AN No. 1759 (1956)

June 8, 1988

SUBJECT: Approval of Debt Settlements

TO: State Directors, District Directors,
County Supervisors

PURPOSE/INTENDED OUTCOME:

We completed a review of debt settlements approved by State Directors during 1987.

COMPARISON WITH PREVIOUS AN:

Previous AN's have expired.

IMPLEMENTATION RESPONSIBILITIES:

The following discrepancies were found in the debt settlements submitted to the Finance Office:

1. Debts discharged in bankruptcy were approved and submitted to the Finance Office without a copy of the Bankruptcy Court's Order of Discharge attached to Forms FmHA 456-1 or 456-2.
2. Both husband and wife were debt settled by cancellation on Form FmHA 456-1 or 456-2 due to bankruptcy when only one borrower was discharged in bankruptcy.
3. The financial data in Parts III and IV on Form FmHA 456-1 was either missing or inaccurate.
4. Debts were settled because the debtor's whereabouts was unknown but there was insufficient documentation that any effort was made to locate the borrower as required by FmHA Instruction 1956-B, Section 1956.70(b)(2).
5. Borrowers' Farmer Programs loans were debt settled while their Rural Housing loans were continued without evidence that an exception had been approved by the Administrator.

Expiration Date: June 30, 1989

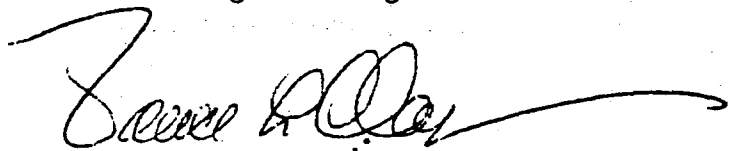
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Preceding FmHA
Instruction 1956-B



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6. Debts were not settled promptly. Several accounts were over 20 years past due resulting in more interest due than principal. This is a clear indication that District Directors and County Supervisors are not servicing these accounts as required by FmHA Instruction 1951-A, Section 1951.7(b).
7. County Offices are submitting debt settlements via terminals without including the debt set-aside portion of loans.
8. Weak narratives in Part VII of Form FmHA 456-1. Use of "boilerplate" paragraphs that do not apply to the case.

Although we found no major problems, State Directors should conduct annual reviews of approved debt settlements to ensure that they have been processed properly. Please include this AN as a topic for review at your next staff and training meetings.



VANCE L. CLARK
Administrator